

Message Text

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14/21

ORIGIN EB-07

INFO OCT-01 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-03 NSAE-00

NSC-05 PA-02 PRS-01 SP-02 SS-15 USIA-15 AID-05

CIEP-02 TRSE-00 STR-04 OMB-01 CEA-01 COME-00 XMB-04

FRB-01 ISO-00 AF-06 ARA-10 EA-10 EUR-12 NEA-10 /129 R

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L/PM:TBOREK

PM/SAS:DJJAMES

EB/AWATSON

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R 112357Z JUN 75

FM SECSTATE WASHDC

TO ALL DIPLOMATIC AND CONSULAR POSTS

UNCLAS STATE 136921

INFORM CONSULS

CORRECTED COPY (PARA 1, LINE 2)

E.O. 11652: N/A

TAGS: EFIN

SUBJECT: ASSISTANCE IN COLLECTION OF DELINQUENT DEBTS

REF: STATE 048653 OF 16 MARCH 1973

1. FOREIGN INDEBTEDNESS TO THE U.S. CONTINUE TO ATTRACT
CONSIDERABLE ATTENTION BOTH IN CONGRESS AND WITH GENERAL
PUBLIC. DEBT ARREARAGES GENERATE PARTICULAR CONCERN.
SECTION 56 OF THE FOREIGN ASSISTANCE LEGISLATION OF 1974
(PUBLIC LAW 93-559) WHICH THE PRESIDENT SIGNED ON
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DECEMBER 30, 1974 REFLECTS THIS CONCERN. IT READS AS

FOLLOWS: "IT IS THE SENSE OF THE CONGRESS THAT ANY COUNTRY RECEIVING ASSISTANCE UNDER THE FOREIGN ASSISTANCE ACT OF 1961 WHICH IS IN DEFAULT, AT LEAST 90 DAYS PRIOR TO THE DATE OF ENACTMENT OF THIS ACT, OF ANY PAYMENT OF PRINCIPAL OR INTEREST DUE ON ANY LOAN OR CREDIT RECEIVED FROM THE UNITED STATES SHALL PROMPTLY PAY ALL SUCH PRINCIPAL AND INTEREST. IT IS FURTHER THE SENSE OF THE CONGRESS THAT THE PRESIDENT SHALL PROMPTLY ENTER INTO NEGOTIATION WITH EACH SUCH COUNTRY TO HELP EFFECTUATE THE PAYMENT OF SUCH PRINCIPAL AND INTEREST, OR TO EFFECTUATE

THE TRANSFER BY SUCH COUNTRY TO THE UNITED STATES OF GOODS, SERVICES, CONCESSIONS, OR ACTIONS BENEFICIAL TO THE UNITED STATES, IN LIEU OF PAYMENT OF SUCH PRINCIPAL AND INTEREST."

2. AS OF JUNE 30, 1974, PRINCIPAL AND INTEREST DUE AND UNPAID 90 DAYS OR MORE ON UNITED STATES FOREIGN LOANS AND CREDITS (EXCLUSIVE OF INDEBTEDNESS ARISING FROM WORLD WAR I) totaled 563 MILLION DOLS. DEBT OWED BY THE PREAREVOLUTIONARY GOVERNMENTS OF CHINA AND CUBA, KOREAN CONFLICT LOGISTICAL SUPPORT CLAIMS AGAINST SIX COUNTRIES (WHICH THE DEPARTMENT IS CONSIDERING ASKING CONGRESS TO WRITE OFF), AND ARREARAGES WHICH SHOULD NOW BE CLEARED UP AS A RESULT OF MULTILATERAL DEBT RESCHEDULING EXERCISES ACCOUNT FOR MORE THAN 70 PERCENT OF THE TOTAL. THE REMAINING 30 PERCENT ARE SCATTERED OVER SEVERAL DOZEN COUNTRIES. MANY OF THE INDIVIDUAL COUNTRY ARREARAGES REKLECT LATE PAYMENTS RATHER THAN SERIOUS DEBT COLLECTION PROBLEMS.

3. WHEN ARREARAGES ARE CONSIDERED IN THE CONTEXT OF OVERALL UNITED STATES FOREIGN DEBT, THE DELINQUENCY RATE ACTUALLY COMPARES FAVORABLY WITH THE BEST COLLECTION PERFORMANCE OF THE PRIVATE SECTOR OF THE ECONOMY. OF THE TOTAL AMOUNT LOANED TO FOREIGN COUNTRIES SINCE 1945, ONLY ABOUT ONE PERCENT IS PRESENTLY DUE AND UNPAID FOR 90 DAYS OR MORE. LESS THAN TWO PERCENT OF THE TOTAL PRINCIPAL OUTSTANDING AS OF JUNE 30, 1974 WAS IN THIS CATEGORY. THESE DATA CLEARLY REFLECT THE PRIORITY

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ATTENTION ALL LENDING AGENCIES HAVE GIVEN DEBT COLLECTION.

4. AS REFTEL NOTES, THE DEPARTMENT HAS THE RESPONSIBILITY FOR PROVIDING DIPLOMATIC ASSISTANCE WHEN LENDING AGENCIES HAVE EXHAUSTED THEIR USUAL MEANS OF REMINDING FOREIGN GOVERNMENTS ABOUT THEIR OVERDUE PAYMENTS. SUCH SITUATIONS FREQUENTLY INVOLVE OVERSEAS POSTS IN COLLECTION EFFORTS. WE APPRECIATE PAST EFFORTS IN

RESPONSE TO DEPARTMENT INSTRUCTIONS.

5. SINCE WE NEED TO ASSURE CONGRESS THAT WE ARE GIVING MAXIMUM ATTENTION TO EFFECT TIMELY REPAYMENTS, U.S. LENDING AGENCIES WILL LIKELY RENEW EFFORTS TO REDUCE OUTSTANDING ARREARAGES SIGNIFICANTLY. IT IS A MAJOR DEPARTMENT OBJECTIVE TO INSURE THE SUCCESS OF THESE EFFORTS. WE, THEREFORE, ANTICIPATE GREATER USE OF THE DEPARTMENT'S DEBT COLLECTION PROCEDURES OVER THE COMING MONTHS.

6. WHEN WE ASK FOR A POST'S HELP IN DEBT COLLECTION, THE DEPARTMENT WILL PROVIDE SUFFICIENT BACKGROUND DOCUMENTATION TO PERMIT EFFECTIVE DIPLOMATIC REPRESENTATION BY THE COUNTRY TEAM TO THE DEBTOR GOVERNMENT. THE

DEPARTMENT WOULD ALSO CONTINUE TO WELCOME ANY SUGGESTIONS OVERSEAS POSTS HAVE ON IMPROVING DEBT COLLECTION PROCEDURES, EITHER IN GENERAL OR AS THEY REFER TO YOUR COUNTRY. PAUL BOEKER, DEPUTY ASSISTANT SECRETARY FOR INTERNATIONAL FINANCE AND DEVELOPMENT IN THE BUREAU OF ECONOMIC AND BUSINESS AFFAIRS IS THE OFFICER RESPONSIBLE FOR ASSISTING U.S.G. AGENCIES IN COLLECTION OF DEBTS OWEF TO THEM. HE SUPERVISES THE DEPARTMENT'S COLLECTION EFFORTS. THE OFFICE OF MONATARY AFFAIRS (EB/IFD/OMA) MANAGES THE COLLECTION PROGRAM, UNDER MR. BOEKER'S SUPERVISION.

7. IN SITUATIONS WHERE CHIEFS OF MISSION AND PRINCIPAL OFFICERS DEEM IT APPROPRIATE, MEMBERS OF THE COUNTRY TEAM MAY WISH TO ADVISE HOST GOVERNMENT OFFICIALS OF THE CONCERN HELD BY THE U.S.G. ABOUT THE DEBT ARREARAGE PROBLEM AS WELL AS THE INCREASING ATTENTION
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